Federal Fiscal Year 1998 SCHIP Annual Report

Copies of the quarterly expenditure and financial/statistical data described in Section B of this report are available in hard copy format. For a copy of the quarterly expenditure data on Healthy Families and Medi-Cal, and statistical data on Healthy Families, please contact the Managed Risk Medical Insurance Board at (916) 324-4695. For a copy of statistical data on Medi-Cal, please contact the Department of Health Services at (916) 653-2223.

A. State Plan Operation Information

California received approval on its State Children's Health Insurance Program (SCHIP) plan on March 24, 1998. Under SCHIP, California expanded Medicaid, called Medi-Cal (MC), and created a separate child health insurance program, called the Healthy Families Program (HFP).

California expanded Medi-Cal in three ways: 1) by accelerating coverage for all children under 100 percent of the federal poverty level (FPL), 2) applying a resource disregard for children in FPL program, and 3) implementing one month of Title XXI coverage delivered under the MC program to allow children whose families become ineligible for MC time to become enrolled in HFP. MC covers children ages 0 – 1 in families with incomes at or below 200 percent of FPL, children ages 1 – 5 at 133 percent of FPL, and children ages 6 to 19 at 100 percent of FPL. California is not able to track the total number of children who have been enrolled in MC since the expansion. However, we estimate that an additional 39,800 children beyond normal projected growth have been enrolled in the percentage poverty programs. DHS administers the MC program.

HFP provides low-cost health insurance for children ages 1 to 19 whose annual family incomes fall up to 200 percent of FPL and who are ineligible for no-cost MC. Patterned after California State employee coverage, HFP benefit package provides children with access to medical, dental, and vision benefits. Families pay a $5 copayment for services, excluding preventive services, and a monthly premium that ranges from $4 to $27, depending on the number of children in the program, their health plan, and income. As of early February, over 65,000 children were enrolled in HFP. The Managed Risk Medical Insurance Board (MRMIB) administers HFP, and DHS conducts outreach and education for both HFP and MC.

Baseline Estimates of the Number of Uninsured Children in California

At the request of DHS, the UCLA Center for Health Policy conducted research in early 1997 to estimate the number of children ages 1 – 18 between 100 – 199 percent of poverty who were uninsured and ineligible for Medi-Cal. Using the March 1996 Current Population Survey (CPS), UCLA arrived at an estimate of 580,000 children in the specified age and income bracket, who were thus potentially eligible for HFP. This estimate was included in California's Title XXI State Plan, which was submitted in November 1997. In January 1998, UCLA released revised estimates based on the 1997

CPS which projected that 562,000 children were eligible for HFP and 678,400 children were eligible for MC.

In October 1998, the UCLA Center for Health Policy released revised estimates based on the March 1997 CPS. UCLA estimates that there are approximately 1.74 million uninsured children in California. Of those, an estimated 400,000 are eligible for HFP, and 668,000 are eligible for MC. Roughly 260,000 uninsured children are undocumented immigrants and are only eligible for emergency MC services. Among these children, 90 percent fall below 201 percent of FPL. Approximately 410,000 citizen and legal immigrant uninsured children are ineligible for HFP because their family income is above 200 percent of FPL.[1] Please see Section D (in keeping with suggested format) for a further discussion of the baseline estimates.

Progress in Reducing the Number of Uninsured

The enrollment of 39,800 children in MC and 65,000 in HFP is a clear indication of progress in reducing the number of uninsured, low-income children in California. California is committed to further lowering the number of uninsured low-income children in the State by meeting our strategic objectives, detailed in our State Plan, which unify under an overarching vision: that the outcome of increasing the extent of creditable health coverage will significantly improve the health status of California's children. In order to meet these objectives, the State has moved to address issues that have arisen during the first six months of HFP and MC.

- In order to meet our third strategic objective, to provide an easy-to-use application and enrollment process, and in response to feedback from applicants and advocates who indicated that the current HFP/MC application was considered to be difficult in length and complexity to complete, DHS and MRMIB worked in cooperation with a workgroup to revise the application. The application workgroup was composed of county representatives, health plans, clinics, and advocates. The revised application is shorter in length and shifts the burden of performing income calculations and determining program screening away from the applicant and onto the State. DHS and MRMIB are currently in the process of designing, translating, and focus-testing the revised application. The revised application is scheduled for release in March and should promote participation in HFP and MC by easing the burden on families to apply. In order to meet the needs of California's ethnically diverse population, the application will be released in the 11 most common languages used by the target population for HFP and MC.

- In the period until the revised application comes into use, California has taken immediate steps to make it easier to apply to HFP and MC. In November 1998, MRMIB began accepting personal checks for initial premium payments, in addition to money orders and cashier checks.

[1] Richard E. Brown et al. "New Estimates Find 400,000 Children Eligible for the Healthy Families Program." UCLA Center for Health Policy Research. October 1998.

- California has released a request for applications (RFA) for mini-contracts, totaling $1 million, with community based organizations (CBO) to enable them to conduct special outreach and education activities for HFP. The mini-contracts will further help the State meet its sixth strategic objective, to partner in outreach and education with CBOs. CBOs will be able to use funds obtained through the mini-contract process to conduct special outreach activities, available for a maximum amount of $50,000 per organization. CBOs also partner with the state in conducting outreach through their role as Enrolled Entities. Enrolled Entities include CBOs, schools, day care centers, community clinics, faith-based organizations, and local health departments that conduct outreach and have trained staff, called Certified Application Assistants, to assist families in applying for HFP and MC.

- California also has made special efforts to meet our first strategic objective, to increase the awareness of low income uninsured families about the availability of low and no-cost health coverage. In order to meet this objective, the State has worked to meet the needs of our ethnically diverse population in its aggressive $12 million per year multi-lingual outreach campaign. For example:

    - High interest from the Korean community prompted the State to work with a Korean community organization to translate HFP/ MC application into Korean, in addition to the existing nine non-English languages.

    - To better serve the Spanish speaking population in California, the State soon will conduct training sessions in Spanish for Certified Application Assistants. Specific outreach and education efforts on Spanish radio and television have been implemented to target Latino families.

    - Similarly, the State has also targeted outreach towards the African American community. Specifically, one of three multicultural television advertisements developed to launch HFP and MC campaign targets the African American audience and features African American actors. Two ads are running in African American newspapers statewide. The State has also joined in a corporate sponsor partnership with the African American-owned Founder's National Bank in Los Angeles.

These initiatives have helped California make progress in reducing the number of uninsured low-income children in California, as well as meet the State's primary goal of significantly improving the health status of California's children. In spite of the State's efforts, barriers remain which have complicated efforts to reach our target population.

Barriers to Effectively Implementing California's State Plan

- A critical barrier to implementing California's state plan is the 10 percent cap on administration and outreach costs. As California has maintained since the submission of our state plan in November 1997, it is not possible for the percentage of administrative costs to be as low as 10 percent of expenditures until a sizeable number of children have been enrolled. The initial, and also most costly, period of

CHIP implementation is crucial to determining the long-term success of these programs. Without adequate federal funding for administration and outreach during the start-up period of these programs, states are forced to make the difficult choice between jeopardizing the success of their CHIP program and allocating funds away from other necessary programs. The lack of adequate federal funding for administration and outreach during the initial implementation period of the CHIP programs is particularly frustrating since Congress has allocated sufficient funds for CHIP, but they cannot be used to meet this critical need. Expanding the 10 percent cap during the initial period of CHIP implementation would provide California, and other states, with the resources to implement the optimum administrative mechanisms and outreach campaigns. We would again like to advocate that the Department of Health and Human Services (DHHS) work with Congress to pursue legislative options to address this issue.

- A critical barrier to enrollment for both HFP and MC is a lack of clear and coordinated federal policy on immigration issues of public charge and sponsorship. Many parents who are not citizens but have legal alien and citizen children will not enroll their children into HFP or MC until they are assured that the receipt of health benefits will not jeopardize their immigration status or opportunity to sponsor family members. These concerns are relevant for a significant proportion of the target population for HFP and MC. Among children eligible for HFP and MC, approximately 50 percent have at least one parent who is a non-citizen.[2] Feedback from advocates and applicants indicate that many Latino and other minority families will not enroll in HFP and MC because of their concerns about public charge.

  DHS and MRMIB have repeatedly sought clarification from the Immigration and Naturalization Service (INS) on this issue since July 1998. Until the federal Interagency Task Force that is reviewing the issue of public charge issues a binding policy to the public that addresses these concerns, supports the enrollment of all eligible children, and is followed by INS field office and Department of State consulates and embassies, many eligible children will not access no-cost and low-cost health coverage through MC and HFP. We ask that the DHHS join in conveying to the Interagency Task Force the urgency and importance of issuing a clear and binding policy that addresses immigration concerns in a manner that will encourage the enrollment of the target population.

- Another barrier to implementing California's state plan has been the difficulty in knowing the size and composition of the target population. From early 1997 until present, the State has received four different estimates of the numbers of uninsured children eligible for HFP and MC. In each case, the number of children estimated to be eligible for MC has been raised, with a corresponding decrease in the number potentially eligible for HFP. DHS and MRMIB decisions on how best to structure outreach and administration for both programs are complicated by the fact that we do not have a clear picture of the size and composition of the target population. Federal

[2] Brown et al, 1998.

sponsorship of an accurate count of uninsured children would benefit California, as well as other states.

- An additional barrier to ensuring the success of HFP and MC has been the fact that families cannot participate in HFP if they are eligible for MC. Over two-thirds of the approximately 1.1 million uninsured children eligible for coverage under HFP or MC are eligible for MC. However, many families do not want to participate in MC. Feedback from applicants and advocates indicates that many families apply to HFP even when they know that their income qualifies them for MC. Since July 1998, approximately 11,400 children have been determined ineligible for HFP because their family income was below the income guidelines, making them eligible for MC instead.

  Many working families do not want to enroll their children in MC because of its association with welfare. Although families do not have to pay premiums or copayments in MC, many working families prefer HFP model, where they buy health coverage for their children through affordable premiums and copayments. A survey of women served by the California Access for Infants and Mothers Program (AIM), which serves families with incomes between 200 and 300 percent of FPL by providing health care services for a pregnant woman and her baby up to age two, echoes these conclusions. Sixty-seven percent of the AIM subscribers' surveyed preferred AIM coverage over no-cost MC. When asked why they preferred AIM coverage to no-cost MC, 84 percent said that they preferred to help pay for care. Allowing MC eligible families to be served in HFP would expand the number of children who access health coverage. We would again like to advocate that the DHHS work with Congress to allow Medicaid eligible families to choose to participate in CHIP programs with the current 50 percent federal fund match.

- An additional difficulty in implementing California's State Plan was HCFA's refusal to approve the state's proposal to allow subscribers to choose a health plan in a Family Value Plan (FVP), which meets all cost-sharing requirements of Title XXI, or choose another plan with cost-sharing beyond the limits specified in Title XXI. California maintained that subscribers should have the option of choosing the higher cost plans, but restructured HFP to follow HCFA's directions and excluded plans whose rates did not fall within the Title XXI allowable limits. Consequently, subscribers had fewer choices since there were plans that did not participate because they could not get into the FVP, but who might have participated if they were allowed to have subscribers pay additional funds. Furthermore, the State lost an important incentive for health plans to be low cost. In order to open up more options, MRMIB decided in December 1998 that all FVP health plans can be paired with any dental or vision plan. As a result, plans have even less motivation to be the lowest cost plan since they now only need to have a price that is good enough to get into FVP.

- California is very interested in expanding HFP to include coverage of family members, however; the cost neutrality provision of Title XXI makes this very difficult to implement. Insistence that coverage be equivalent as well as cost neutral

very much limits the State's options to allow family members to all be in HFP and under the same health plan. We urge DHHS to work with Congress to pursue legislative options to grant states greater flexibility in using Title XXI funds to expand health coverage to further reduce the number of low-income uninsured.

Technical Assistance from the Department of Health and Human Services

- California would benefit from technical assistance from DHHS on the Consumer Assessment of Health Plan Survey (CAHPS). The document is currently available in English and Spanish, but it would be very beneficial if DHHS could sponsor the translation and focus-group testing of the document in other languages. California would be particularly interested in using translated versions of CAHPS that matched the other nine languages in which we issue HFP/MC application – Armenian, Cambodian, Cantonese, Farsi, Hmong, Korean, Lao, Russian, and Vietnamese. We would also benefit from knowing how DHHS would like states to use CAHPS, or any other tools, to assess the cultural or linguistic competency of health plans participating in CHIP.

  CAHPS is currently intended to be completed by a parent for a child ages 12 and under. Although Rand and the National Committee for Quality Assurance (NCQA) are reported to be developing a survey for adolescents, it would also be useful for DHHS to support the efforts of these organizations as they develop the adolescent survey.

- DHS and MRMIB would also appreciate any information that DHHS can provide on how CHIP programs will be evaluated nationally. California, like many states, is currently in the process of developing the infrastructure to capture data. Notice of what information DHHS plans to ask for will enable the State to collect the proper information now, instead of having to undergo the expensive and difficult process of modifying infrastructure at a later date in order to gather the necessary data. This issue is particularly important in California since most providers are capitated and may not collect information on subscriber visits, etc., unless it is required.

B. Quarterly Data

Please see attached quarterly expenditure data and financial/statistical data for FFY 1998.

Of the three components of California's MC expansion, detailed in Section A, DHS has provided financial/statistical data on the acceleration of coverage for all children under 100 percent of FPL for FFY 1998.

DHS cannot make the program changes needed in order to provide all the data requested by HCFA because of the resource demands of the Y2K conversion. Because of Y2K issues, we estimate that the earliest date that DHS would be able to provide all the requested data is July 2000. However, the Medicaid Statistical Information System (MSIS) could be used to provide all the data for the Medi-Cal part of the new HCFA

reporting requirements. HCFA's use of MSIS would eliminate the burden on California of double reporting information and would allow HCFA to access the data without waiting for DHS to address its Y2K issues.

C. Additional Program Indicator Data

Outreach

DHS will spend $12 million (state fiscal year) on outreach activities from July 1, 1998 to June 20, 1999. Forty percent of the total will be spent on advertising and 60 percent will be spent on CBO activities. MRMIB and DHS are in the process of developing an evaluation for HFP and MC outreach activities. We anticipate that the evaluation will be available in April 1999 and will forward a copy to HCFA when it is released.

Elements of our outreach campaign that we will evaluate include:

- Media and print advertising
- CBO activities
- CBO support and training

Crowd-Out

In order to prevent crowd-out, applicants to HFP and MC must answer questions about their previous health insurance coverage. Data collected since the beginning of HFP indicates that 3.7 percent of successful applicants had coverage through an employer within the prior 90 day period. Of those with employer sponsored coverage in the previous 90 days, 57 percent did not have coverage at the time of application, or would no longer be covered by an employer's health insurance because of loss of employment. Specifically:

- Of the 31,182 applications that have resulted in an enrollment, 30,023 said that they did not have health insurance coverage through an employer in the prior 90 day period.
- Of the 1,159 applications that indicated that they had health insurance coverage through an employer in the last 90 days, the following reasons were provided for why they did not have coverage at the time of application or would no longer be covered:
    - 656 cited loss of employment
    - 31 had an address change to where there was no coverage
    - 93 had an employer who discontinued benefits to all employees
    - 51 cited the end of their COBRA coverage
    - 328 listed Other

These numbers indicate that crowd-out has not posed a problem during the first six months of HFP.

D. Baseline Estimates of the Number of Uninsured Children in California

The October 1998 estimates provided by the UCLA Center for Health Policy Research are based upon the March 1997 CPS. The authors of the estimates statistically adjusted CPS data in order to arrive at a more accurate projection of the number of uninsured children in California and the number eligible for HFP and MC. The authors of the UCLA estimates reduced prior estimates to reflect the number of undocumented uninsured children who are ineligible for HFP. UCLA also adjusted for the fact that some sources of income counted by CPS are not included under HFP and MC. Furthermore, income under CPS is based upon a larger family than is counted in HFP and MC. These adjustments further reduce the number of children eligible for HFP and increase the number of children eligible for MC. UCLA further lowered the estimate of the number of children eligible for HFP to account for the fact that income deductions would not be applied for HFP. [3]

The two UCLA publications cited in this report can be accessed at: http://www.healthpolicy.ucla.edu/.

[3] Steve P. Wallace et al. "Technical Notes for *New Estimates find 400,000 Children Eligible for Health Families Program, Policy Brief 98-4.*" UCLA Center for Health Policy Research. October 1998.